



COMDTINST 5700.9
25 JUN 1999

COMMANDANT INSTRUCTION 5700.9

Subj: MANAGEMENT ACCOUNTABILITY AND CONTROL

Ref: (a) Federal Managers' Financial Integrity Act (FMFIA), Section 3512 of title 31, USC (PL 97-255, of 1982)
(b) OMB Circular A-123, Management Accountability and Control, Revised June 21, 1995

1. PURPOSE. In keeping with the Administration's goal to cut red tape and the Commandant's goal to reduce administrative burden, the A-123 process is being revised. This interim instruction provides guidance to all managers on management accountability and control as required by references (a) and (b), outlines the annual reporting requirements and replaces the Internal Control Systems Program guidance, COMDTINST M5700.8, dated 5 Aug 91. This interim guidance will remain in effect until process redesign is complete.
2. ACTION. Area and district commanders, commanders of maintenance and logistics commands, commanding officers of headquarters units, assistant commandants for directorates, Chief Counsel, and special staff offices at Headquarters shall comply with the contents of this instruction.
3. DIRECTIVES AFFECTED. Internal Control Systems Program, COMDTINST M5700.8, dated 5 August 1991 is canceled.
4. BACKGROUND.
 - a. The Budget and Accounting Procedures Act of 1950 requires Federal managers to establish and maintain adequate systems of management control. Because of numerous instances of fraud, waste, abuse, and mismanagement, Congress passed the Federal Managers' Financial Integrity Act (FMFIA) of 1982. This Act requires the Head of each Agency to conduct an annual evaluation of its management controls (Section 2) and financial management systems (Section 4) and report the results to the President and Congress. The Office of Management and Budget (OMB) Circular A-123 (revised June 21, 1995) establishes government policy on internal management controls and assigns management the responsibility for establishing, maintaining, reviewing, and improving adequate systems of management control.

5. DISCUSSION.

- a. Management accountability is the expectation that managers are responsible for the quality and timeliness of performance, increasing productivity, controlling costs and mitigating risks relative to agency activity, and assuring that programs and organizations are managed with integrity and in compliance with applicable law.
- b. Management controls are tools such as organization structure, policies, processes and procedures which help managers achieve desired results and safeguard the integrity of their functions/activities. Implementation of management controls should be an integral part of the entire cycle of planning, budgeting, management, accounting, and auditing. FMFIA further requires that agency heads report annually on compliance with those controls.
- c. Implementation of management controls within each program and organization is a leadership decision for managers on how best to ensure the goals of their functions/activities or programs are met. Management controls must be built into the management of the entire organization, to include all of its policies, procedures, processes, systems, and standards. Controls must be considered at the inception of a program, when planning for change in the organization, and when developing and implementing policies, procedures, processes, systems, and standards.

6. POLICY.

- a. Coast Guard policy requires compliance with the requirements of references (a) and (b). All levels of management in the Coast Guard are responsible for ensuring that resources of every kind under their purview are used efficiently and effectively, and that programs and functions/activities are discharged with integrity and in compliance with applicable laws and regulations. Management control mechanisms employed by Coast Guard managers will provide reasonable assurance that the following objectives are met:
 - (1) resources are efficiently and effectively managed,
 - (2) applicable laws, regulations, and policies are observed,
 - (3) financial and all other resources are safeguarded from unauthorized use or disposition,
 - (4) transactions are executed in accordance with authorizations; records and reports are reliable (accurate and timely information is obtained, maintained, reported and used for decision making), and

- (5) financial systems conform with government-wide standards.
- b. Coast Guard managers at all levels shall incorporate basic management controls in the strategies, plans, guidance and procedures that govern their programs and functions/activities. Controls shall be consistent with standards listed in enclosure (1) which are drawn in large part from the "Standards for Internal Control in the Federal Government", issued by the General Accounting Office (GAO).
- c. Coast Guard managers will continuously review and improve the effectiveness of management controls associated with their programs and functions/activities. This continuous monitoring, and other periodic evaluations, will provide the basis for their annual certification to the Commandant on their assessment and adequacy of the management controls in place for their programs. Enclosure (2) provides the process and reporting requirements for completing the annual certification letter to the Commandant.
7. RESPONSIBILITIES.
- a. Commandant (G-CQM) shall:
- (1) serve as the Coast Guard Management Control Coordinator and process owner under the direction of Commandant (G-CCS),
 - (2) review, compile and forward the annual certifications to the Commandant to provide the basis for the annual certification to the Secretary of the Department of Transportation, and
 - (3) coordinate and conduct follow-up to ensure material weaknesses identified are corrected.
- b. The following organizations for the area of responsibility indicated shall:

<u>Organization</u>	<u>Area of Responsibility</u>
Area	Entire Area (Operation and Support)
Assistant Commandants and Chief Counsel	Entire Directorate and designated HQ Units
Chief of Staff	Immediate Reporting Offices and Staff (CCX, CQM)
Resources Directorate	Immediate Reporting Offices and Staff
Finance and Procurement Directorate	Immediate Reporting Offices and Staff
All Commandant level Staffs	Immediate Reporting Staffs

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- (1) designate an individual on their staff to serve as the Management Control Coordinator who will respond to reporting requirements for their area of responsibility as indicated. Notify the Coast Guard Management Control Coordinator (G-CQM) of the individual's name, business address and phone number upon receipt of this instruction and update the information as changes occur,
 - (2) evaluate the effectiveness of the management control systems operating in the organization(s) for which they have supervisory or command responsibility. These evaluations shall be consistent with the guidance contained in references (a) and (b) and should maximize the use of already existing management evaluation data and, to the greatest extent possible, minimize the creation of processes solely for the execution of the Management Control and Accountability Program.
 - (3) identify, report, and correct management control weaknesses in accordance with guidance contained in enclosure (2).
 - (4) submit annual certification in accordance with guidance provided in enclosure (2) to Commandant (G-CCS) by 1 September every year on the adequacy and effectiveness of their management controls.
- c. All Coast Guard managers and personnel shall ensure the proper stewardship and accountability of all resources as a fundamental responsibility. All Coast Guard personnel, military and civilian, must comply with the requirements of management controls established to protect Coast Guard resources from fraud, waste, and mismanagement.
8. FORMS/REPORTS. RCN-5700-2 applies. The annual certification letter will be submitted to Commandant (G-CCS) by 1 September each year in accordance with guidance provided in enclosure (2). An example of the annual certification letter is provided at enclosure (3).

T. W. JOSIAH
CHIEF OF STAFF

Encl: (1) Standards for Management Control in the Federal Government
(2) Annual Certification Procedures
(3) Annual Certification Letter Example

STANDARDS FOR MANAGEMENT CONTROL IN THE FEDERAL
GOVERNMENT

1. General.

- a. Compliance with Law. All program operations (includes all Coast Guard functions/activities), obligations and costs must comply with applicable law and regulation. Resources should be efficiently and effectively allocated for duly authorized purposes.
- b. Reasonable Assurance Safeguards. Management controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Management controls should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.
- c. Integrity, Competence, and Attitude. Managers and employees must have personal integrity and are obligated to support the ethics programs of their agencies. The spirit of the Standards of Ethical Conduct requires that they develop and implement effective management controls and maintain a level of competence that allows them to accomplish their assigned duties. Effective communication within and between offices should be encouraged.

2. Specific.

- a. Delegation of Authority and Organization. Managers should ensure that appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities. To the extent possible, controls and related decision-making authority should be in the hand of line managers and staff.
- b. Separation of Duties and Supervision. Key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.
- c. Access to and Accountability for Resources. Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.
- d. Recording and Documentation. Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination. (Reliable and timely information is obtained, maintained, reported and used for decision making. This standard applies to all Coast Guard function/activities.)

Encl. (1) to COMDTINST 5700.9

- e. Resolution of Audit Findings and Other Deficiencies. Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendation. Managers should complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters brought to management's attention.

ANNUAL CERTIFICATION

1. Procedures.

- a. **Annual Certification.** Complete the annual certification letter using the template shown at enclosure (3) and submit not later than 1 September, to Commandant (G-CCS). Your certification is your assurance to the Commandant that you have performed the evaluation of your organization's management controls and do or do not find any problems (material weaknesses) significant enough to warrant the Commandant's attention. Your annual certification will provide the basis for the Commandant's annual statement of assurance to the Secretary of the Department of Transportation. Management Control Program accomplishments and other items of interest may be included in the annual certification letter.
 - (1) Sources of information used to conduct your evaluation/assessment may include, but is not limited to, IG and GAO audits, program evaluations, policy reviews, compliance inspections, business planning and reports, Regional Strategic Assessments (RSAs), Baldrige Assessment reports, study or Quality Action Team reports, responses to Congressional inquiries, customer complaints (public or internal), quality assurance certifications, financial management reports and inspections.
 - (2) Maintenance and Logistic Commands will also include a summary of any major trends and findings of interest to the Commandant and Program Directors found through the compliance inspection program to the Area Management Control Coordinator.
- b. **Criteria for reporting material weaknesses.** A material weakness under Section 2 of the FMFIA must fall into one or more of the categories below plus merit the attention of the Commandant.
 - (1) Significant weakness of the safeguards (controls) against waste, loss, unauthorized use or misappropriation of funds, property, or other assets.
 - (2) Violates statutory authority, or results in a conflict of interest.
 - (3) Deprives the public of significant services, or seriously affects safety or the environment.
 - (4) Impairs significantly the fulfillment of the agency's mission.
 - (5) Would result in significant adverse effects on the credibility of the agency.

Encl. (2) to COMDTINST 5700.9

- c. Reporting of Material Weaknesses. Material weaknesses should be included in the annual certification statement. Material weaknesses should be reported by means of enclosures to the annual management control certification statement. These enclosures to the annual certification statement should be ordered as follows:
- (1) material weaknesses identified and corrected in the current fiscal year (FY); i.e., Management Control Program accomplishments.
 - (2) uncorrected material weaknesses discovered in the current FY, along with milestones for correcting deficiency.
 - (3) an updated status report on all previously reported material weaknesses that remain uncorrected at year end, even if progress is on schedule.

RCN-5700-2
U.S. Department
of Transportation
United States
Coast Guard

From: Commander
To: Commandant (G-CCS)

Subj: ANNUAL CERTIFICATION OF MANAGEMENT CONTROL AND
ACCOUNTABILITY

Ref: Management Accountability and Control, COMDTINST 5700.9

1. Include one of the following:
I have reasonable assurance that (organization's) management controls are in place and operating effectively and the objectives of OMB Circular No. A-123 were achieved. I have reasonable assurance that (organization's) management controls are in place and operating effectively, except for the material weaknesses provided in enclosure (1). The objectives of OMB Circular No. A-123 were/were not achieved.
I do not have reasonable assurance that (organization's) management controls are in place and operating effectively, and the objectives of OMB Circular No. A-123 were not achieved.
2. Information to support the certification statement was derived from (include pertinent information e.g., management reviews, audits, inspections, investigations and other management information such as knowledge gained from daily operations of programs and functions).

Encl: (1) Details concerning material weaknesses and corrective action planned